

Low-Wage Mobility During the Early Career

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ABSTRACT

Colin Campbell: Low-Wage Mobility During the Early Career
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Despite the size of the low-wage workforce, knowledge of the low-wage labor market is markedly sparse. In particular, little is known about the mobility patterns of low-wage workers. Using data from the Panel Study of Income Dynamics, I analyze low-wage mobility during the early career. I find that exits from low-wages are common, but the odds of exit and the permanence of an exit vary by social group membership and have changed in recent decades. Women, African Americans, and the less educated fare worse in the low-wage labor market. My findings also suggest that low-wage mobility has changed since the 1970s, with low-wages becoming more difficult to avoid.

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CHAPTER 1

INTRODUCTION

There are over 40 million low-wage workers in the United States (Boushey et al. 2007). Despite the size of the low-wage workforce, knowledge of the low-wage labor market is markedly sparse (Andersson, Holzer, and Lane 2005:2). In particular, little is known about the mobility patterns of low-wage workers (Osterman 2001:78).

Recently, scholars have shown interest in studying low-wage work, largely concentrating on describing and understanding the employment trajectories of low-wage workers (see Andersson, Holzer, and Lane 2005; Bernhardt, Morris, Handcock, and Scott 2001; Newman 2006). Unfortunately, despite the nascent academic interest in low-wage work, investigations into low-wage mobility patterns remain limited. Notably, research that considers changes in mobility over time is conspicuously absent.

This research gap is especially remarkable because of the dramatic changes in work structures and employment relations that have occurred over the past 40 years (for summary, see Ackerman et al. 1998). However, while this gap in the literature is notable, it is perhaps not surprising: data limitations greatly restrict the ability to study low-wage mobility over time (Bernhardt et al. 2001:12). Still, historical studies of low-wage work have yielded important conclusions, including the documentation of the increase and spread of low-wage work (Appelbaum, Bernhardt, and Murnane 2003).

While the growth of low-wage work is striking, the economic and social significance of low-wage work is ultimately conditioned by the amount of individual mobility into and out of low-wages. If low-wages are a rare and temporary phenomenon with high mobility, then there is less cause for concern. If, on the other hand, low-wages are common and sticky, marked by little churning and low mobility, then the prevalence of low-wages is more troublesome.

Low-wage jobs are frequently characterized as either “stepping stones” or “dead ends” (Connolly and Gottschalk 2000). Within the “stepping stones” framework, low-wage jobs are seen as transitory and leading to better-paying jobs. Under this scenario, low-wage jobs provide an initial entry point into the labor market; workers spend some time in low-wage jobs collecting work experience and skills, and then move on to better paying jobs. If low-wage jobs serve as pathways to better jobs, then low-wages should be concentrated among new labor market entrants.

Conversely, the “dead ends” perspective views low-wage jobs as persistent and offering few prospects for wage growth. Rather than accruing skills and advancing to better paying jobs, the “dead ends” perspective sees workers as caught in low-wage jobs, unable to move to higher paying jobs. If low-wage jobs are indeed “dead ends,” then some workers will consistently experience low-wages, leaving some workers with low-wage careers.

The simplicity of the dichotomy between “stepping stones” and “dead ends” is appealing; however, such a broad distinction ignores the possibility that low-wage jobs may function differently for different individuals. Moreover, this account of low-wage jobs discounts the possibility that the function of low-wage jobs has changed in recent

decades. Unfortunately, existing research does not speak to possible dissimilarities in low-wage mobility between different groups or changes that have occurred over time.

Here, I evaluate low-wage mobility during the early career—a stage of the career typified by high upward mobility. Using data from the Panel Study of Income Dynamics (PSID), I offer an account of low-wage mobility among different social groups, as well as document changes that have occurred since the 1970s. Are some workers more likely to exit low-wages than others? Are some workers more likely to never experience low-wages? Are experiences with low-wages different for men and women? Do whites and African Americans have similar low-wage trajectories? How permanent are exits from low-wages? Did low-wage mobility change between the 1970s and 2000s?

CHAPTER 2

BACKGROUND

While low-wage mobility remains understudied, recent research offers strong accounts of the distribution of low-wage jobs, the working conditions found at low-wage jobs, and the demographic composition of the low-wage workforce. The industrial and occupational distribution of low-wage work is quite broad. Firms in all segments of the economy employ low-wage workers (Appelbaum, Bernhardt, and Murnane 2003). Within these industries, low-wage workers hold an array of occupations (Osterman 2001). Still, the abundance of low-wage jobs in certain industries and occupations is notable. The service industry is the biggest employer of low-wage workers (Carre and Tilly 2008). The largest low-wage occupations are retail sales, food preparation and serving, healthcare support, and maintenance and construction (Boushey et al. 2007).

The prevalence of low-wage work in disparate occupations and industries makes it difficult to characterize low-wage jobs; however, some common traits are notable. Low-wage jobs offer few employer-sponsored benefits like health insurance, disability insurance, or life insurance (Boushey et al. 2007). Similarly, most low-wage jobs do not provide severance for laid-off workers (Cappelli et al. 1997), retirement plans (Shulman 2003), or training and education (Boushey et al. 2007). Low-wage jobs are also less likely to be unionized (Schochet and Rangarajan 2004). More generally, many low-wage

jobs involve nonstandard employment relations, an employment relation marked by “bad” job characteristics (Kalleberg, Reskin, and Hudson 2000).

The working conditions of low-wage work are also distinct from those of better paying jobs. Workplace flexibility, defined as the ability to determine work schedule, work location, and time off for personal reasons, is greatly limited at low-wage jobs (Boushey et al. 2007). Low-wage work also offers unstable employment relations (Bernhardt et al. 2001), with high rates of turnover.

The consequences of low-wage jobs are wide reaching and extend beyond working conditions. Low-wage jobs negatively affect family conditions (Parcel and Menaghan 1997) and health (Burton, Lein, and Kolak 2005). Additionally, research shows working low-wages leads to increased social isolation (Henley 2002) and housing constraints (Edin and Lein 1997).

While the consequences of low-wages are compelling, the composition of the low-wage workforce, those exposed to these negative outcomes, is also significant. Social groups vary in their risk of earning low-wages. Consequently, there are prominent patterns in the demographic composition of the low-wage workforce.

Close to two-thirds of the low-wage workforce is white (Bernstein and Hartmann 1999), but white workers, making up close to three-fourths of the total labor force, are underrepresented in low-wage work. Women, African Americans, Hispanics, foreign born, and non-married workers are all overrepresented in low-wage jobs (Andersson, Holzer, and Lane 2002; Loprest et al. 2009). Contrary to some perceptions, most low-wage workers are adults, with teenagers comprising only seven percent of the low-wage

workforce (Acs et al. 2001). Additionally, families with children are overrepresented in the low-wage population (Acs, Ross Phillips, and McKenzie 2001).

Within low-wage work, racial and gender differences are palpable (Shulman 2003). There is a racial and gender pay gap, with nonwhites and women receiving lower wages than whites and men (Osterman 2001). Low-wage occupations are also sex-segregated and race-segregated, with women concentrated in “female” jobs (Blau and Kahn 2000) and foreign-born and minority women overrepresented in private household jobs (e.g. maids) (Beers 1998). The already tenuous position of minorities in the low-wage labor market is further exacerbated by employer discrimination (Pager, Bonikowski, and Western 2009).

Research on the geographical distribution of low-wage work is wanting. While studies show that low-wage workers are evenly dispersed all over the country (Schochet and Rangarajan 2004), accounts of regional differences in low-wage work are absent. This oversight is surprising given the prominent regional variations in work structures. The quality of the labor market varies by region (Cohn and Fosset 1995), with southern residence having a negative effect on wages (Falk and Rankin 1992). Accordingly, it is reasonable to expect the risk of low-wages varies by region. Of particular relevance here is the dearth of information regarding regional differences in low-wage mobility.

On average, low-wage workers have lower levels of education and human capital than other workers. Close to a quarter of all low-wage earners did not complete high school (Loprest et al. 2009); however, most low-wage earners hold a high school diploma (Appelbaum, Bernhardt, and Murnane 2003), a full thirty percent of all low-wage

workers completed some college, and close to ten percent of all low-wage workers have at least a college degree (Loprest et al. 2009).

Low-wage work is not a new phenomenon, but the growth of low-wage work is striking: since the 1970s, all industries have shown an increase in the percentage of employed low-wage workers (Bernhardt et al. 2001). Generally, the dramatic rise of low-wage work in all industries is attributed to shifts in work structures and employment relations, with technological advancements and globalization seen as creating pressure to reduce firm costs and increase employment flexibility (Appelbaum et al. 2003).

Aside from changing employment relations, the past few decades brought significant changes in the industrial distribution of the labor force. The service sector grew immensely, with 80 percent of Americans working in the service sector in 1999 (Bernhardt et al. 2001). At the same time, the manufacturing industry, previously home to many skilled jobs, declined (Cappelli et al. 1997). In effect, better paying jobs in the manufacturing industry were replaced by lower wage jobs in the service sector.

Recent employment and industrial changes are significant because of the effect they have on exposure to low-wages. If there are now more low-wage jobs; if high paying jobs for less educated workers have disappeared; if jobs that were once well-paid are now replaced by low-wage jobs; then workers today are exposed to more risk of low-wages than in the past.

Despite the recent scholarly attention directed toward low-wage work, accounts of low-wage mobility are wanting. The preceding review demonstrates the abundant scholarship on the current state of low-wage work and the low-wage workforce, yet understandings of low-wage mobility are greatly limited. The absence of mobility

research, in part, can be attributed to disciplinary shifts. Once a bastion for sociologists, economists now dominate mobility research. This has resulted in a focus on strategies for exiting low-wages while largely overlooking who is upwardly or downwardly mobile.

In an influential study and an excellent example of the emphasis on mobility strategies, Topel and Ward (1992) find that employer mobility during the early career is responsible for considerable wage increases. Others have elaborated on this finding. Most notably, recent research accounts for why an individual changes her job. This line of research finds that involuntary turnover negatively affects wages (Light 2005). Indeed, medium-skilled and low-skilled workers have similar patterns of wage growth, but low-skilled workers experience less wage growth because of less time spent working (Gladden and Taber 2000).

Others (Alon and Tienda 2005) offer a more nuanced model of job mobility. For low-skill women, job mobility during the first four years of labor force participation results in positive returns, but job mobility after this initial timeframe has negative effects on wage growth. Moreover, while changing employers leads to pay-offs, the returns for changes have decreased in recent years (Bernhardt et al 1999, 2001).

Aside from changing employers, temporarily leaving the labor market to undergo training programs, advancing through a firm's internal labor market, and finding a union job are strategies used to escape low-wages (Newman 2006). However, the effectiveness of these mechanisms is disputed. Autor and Houseman (2005) demonstrate that training programs are largely ineffective at raising wages. Lane, Moss, Salzman, and Tilly (2003), through a case study of the food service industry, find that opportunities for advancement through internal labor markets have declined for less educated workers.

The quality of job matches between employer and employee is linked to a number of work outcomes (for summary, see Kalleberg 2007). Intuitively, the quality of a job match would seem to influence wage mobility. However, accumulating work experience is more important for wage growth than the quality of a job match (French, Mazumer, and Taber 2005).

Recent studies of low-wage mobility have found that tight labor markets, individual traits, and firm characteristics chiefly drive exits from low-wages (Andersson, Holzer, and Lane 2005), with a considerable amount of mobility out of jobs in the secondary market (Hudson 2007). However, close to ten percent of the labor force spends the first ten years of their career earning close to the minimum wage (Carrington and Fallick 2001). The workers with “minimum wage careers” are mostly black, female, and less educated.

Finally, an understudied but important vein of mobility research focuses on the occupational structure. The occupational structure is a key determinant of wage mobility (Blau and Duncan 1967). Since the 1970s, the labor market has become increasingly polarized. The decline of middle-wage jobs has led some scholars to describe the occupational wage structure as a “barbell” or “hourglass” (Mouw and Kalleberg forthcoming; Autor, Katz, and Kearney 2006; Harrison and Bluestone 1988; Massey and Hirst 1998). Such a structure limits opportunities for exits from the low-wages found at the bottom of the “hourglass.” Consequently, if there are fewer middle-wage jobs, then it is reasonable to expect period effects have resulted in a decline in upward mobility.

Recent mobility research ably examines strategies for upward mobility. However, this emphasis on tactics for upward mobility has come at the expense of more

fundamental understandings. In particular, research fails to shed light on variations in low-wage mobility by social group membership and does not account for changes over time. More generally, existing scholarship's focus on upward mobility strategies has also resulted in overlooking the volatility of low-wages, who is downward mobile, and who is able to avoid low-wages entirely.

CHAPTER 3

METHODS

Examining low-wage mobility requires individual level longitudinal data on the earning histories of individuals. The analyses presented here use data from the Panel Study of Income Dynamics (PSID). The initial wave of the PSID was conducted in 1968. The PSID collected data annually until 1997; thereafter data collection occurred biennially. Due to the switch to biennial data collection and to maintain consistency, I only use odd years of the PSID.

I constrain my sample in three ways. First, because of data restrictions, I limit my sample to white and black respondents. Second, I exclude any worker who had an average wage of less than \$1.00 per hour in 2003 dollars or more than \$100 per hour in 1991 dollars.

Lastly, I create a balanced panel with five time points. The time points are determined by the age of the respondent, not the year the data were collected. The first time point is established when respondents are between 23 and 24 years old, regardless of the year of the survey. Subsequent waves occur in two-year intervals. Thus at time two, respondents are between 25 and 26 years old; at time three, respondents are between 27 and 28 years old; at time four, respondents are between 29 and 30 years old; and at time five, respondents are between 31 and 32 years old. This balanced panel allows me to track the earnings mobility of individuals throughout their early career.

To be included in the sample, individuals must have a valid wage at each time point or list their occupational status as “unemployed.” Individuals who do not have a valid wage for each time point or are not actively seeking work are excluded from the sample.¹ Thus, all respondents have complete data for all five waves, allowing me to track each worker for the entirety of her early career. These restrictions result in a sample of 3,392.

The PSID initially oversampled impoverished respondents. The PSID provides sample weights to adjust the sample composition. Unfortunately, new sample entrants (individuals who marry members of the original sample) do not have a known probability of selection. The PSID assigns these individuals a sample weight of zero. Consequently, using the PSID sample weights dramatically reduces the number of cases available for analysis. Because respondents with a sample weight of zero are demographically similar to original sample members (Beckett et al. 1998) and because properly specified models produce accurate estimates regardless of weighting (Hill 1992), I elect to use the sample weights for the descriptive statistics only, excluding the sample weights from all multivariate analyses.

To exploit the varying historical contexts captured by the timing of the PSID, I create a variable that measures when the respondent entered the workforce. This variable is measured by decade, with respondents entering the workforce between 1969 and 1978, 1979 and 1988, or 1989 and 1998. For convenience, I refer to the decade of workforce entry as the 1970s, 1980s, or 1990s. Over the past forty years, work structures and employment relations have changed dramatically, with all industries seeing an increase in

¹ This results in non-random attrition. However, it is unlikely these restrictions produce biased estimates. Zabel (1998) and Beckett et al. (1988) find that ignoring selective attrition does not bias models of low-wage transitions.

the percentage of employed low-wage workers (Bernhardt et al. 2001). By including a measure of when an individual entered the workforce, I am able to assess how time periods affect low-wage mobility.

An individual's average hourly wage is determined by dividing total earnings from labor by total hours worked, both reported retrospectively for the previous year. I follow a basic-income approach, treating low-wages as binary. Any individual earning less than \$12 per hour (in 2008 dollars) is defined as earning low-wages.²

Upward and downward mobility are captured by two nominal variables: upward wage mobility is defined as a move from earnings below \$12 per hour to earnings \$12 per hour and above; downward wage mobility is defined as a decrease in earnings from \$12 per hour or more to earnings below \$12 per hour. No change in low-wage status is the reference category in both cases. I use logistic regression to assess transitions from one wage condition to another.

Education is coded as a categorical variable with four values: did not complete high school, has a high school diploma, completed some college, has a college degree or completed more than a college degree. *Gender* is a nominal variable, with female coded as one and male as the reference category. *Region* is coded according to whether the respondent lives in the South or any other region. Non-South is coded as one; South is the reference category. Race is a nominal variable, with black coded as one and white as the reference category.³ To account for the influence of economic conditions, I control for

² This is approximately 75 percent of the median wage in May 2008. In May 2008, the 25th percentile earned \$10.38 per hour.

³ I also test for the interaction of race and gender. The race-gender interaction term is not statistically significant in any model and is excluded from the presented analyses.

the average unemployment rate during the respondent's early career. Time variant predictors are measured at time 1. Sample descriptive statistics are presented in Table 1.

Table 1. Sample Descriptive Statistics

Variable	Percentage (weighted)
Race	
White	89
Black	11
Sex	
Male	58
Female	42
Region	
South	29
Non-South	71
Education	
Drop Out	8
High School Only	36
Some College	25
College and Beyond	31
Decade of Workforce Entry	
1970s	37
1980s	39
1990s	23

Note: N=2,664

CHAPTER 4

FINDINGS

Table 2 presents the descriptive statistics for outcome variables of interest. The descriptive statistics show that low-wages is not a rare phenomenon. By the end of the early career, 44 percent of all workers have experienced low-wages. Rather than an uncommon occurrence, a large portion of the workforce at some point during their early career earns low-wages.

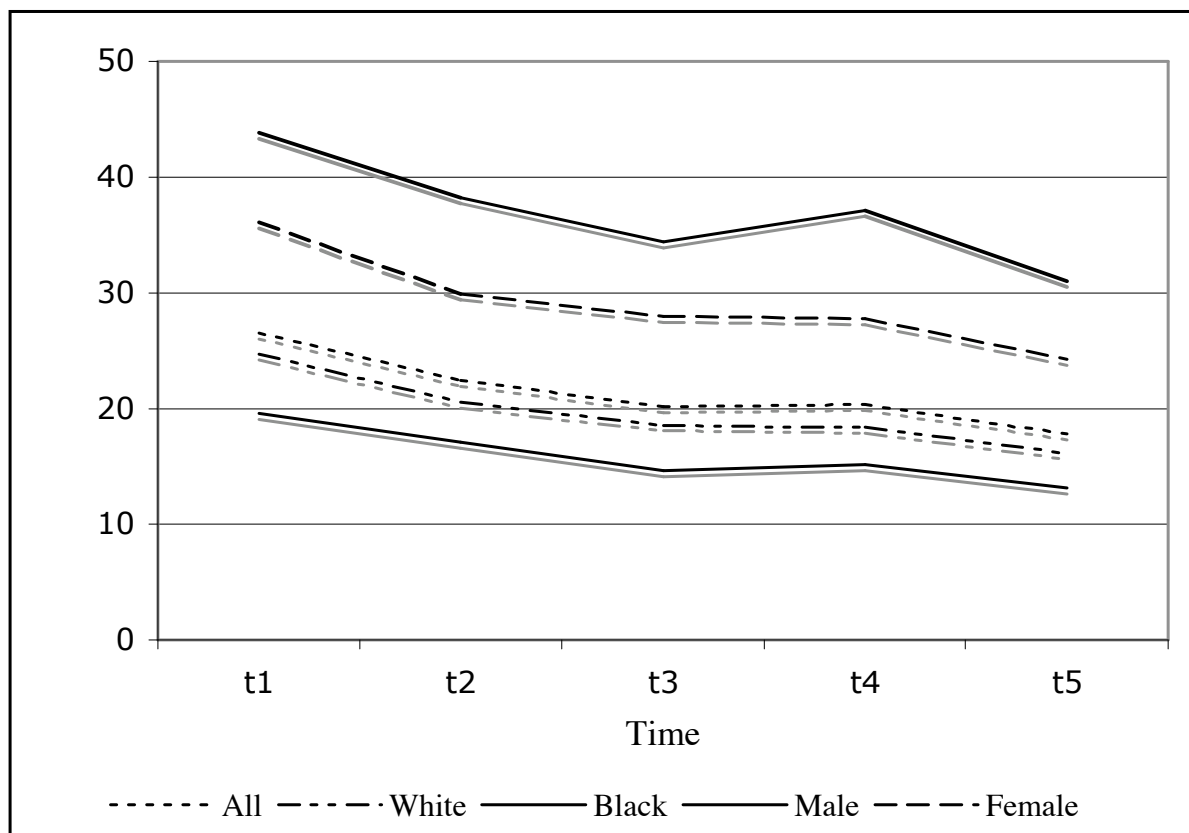
Table 2. Descriptive Statistics for Outcome Variables

Variable	Percentage (weighted)
Ever Earn Low-Wages	44
Never Earn Low-Wages	56
Ever Enter Low-Wages	27
Ever Exit Low-Wages	76
Fallback after exiting Low-Wages	41
All of early career earning low-wages	5

While close to half of all workers experience low-wages during their early career, Table 2 does not provide information about the timing of low-wages. Figure 1 shows the percentage of the labor force earning low-wages at different points in their career. At time 1, just over a quarter of all workers earn low-wages. As workers age, the percentage of workers earning low-wages declines. At time 2, 23 percent of all workers earn low-

wages. At time 3 and time 4, 20 percent of all workers earn low-wages. And, by time 5, 18 percent of all workers earn low-wages.

Figure 1. Percent of Labor Force Earning Low-Wages during Early Career



This pattern is consistent with the stepping stones perspective. Over a quarter of the labor force initially earns low-wages, but, over time, fewer and fewer earners experience low-wages. While the percentage of workers earning low-wages at time 5 is still large, the trend is clear: as workers age, fewer earn low-wages.

Figure 1 also reveals large racial and gender disparities in the experience of low-wages. At time 1, 20 percent of all men earn low-wages. By time 5, only 13 percent of all

men earn low-wages. Conversely, 36 percent of all women earn low-wages at time 1 and 24 percent of all women earn low wages at time 5. While the overall trend is similar for men and women, many more women start in low-wages and many more women are earning low-wages at the end of their early career.

An even larger gap exists between white and black workers. At time 1, a quarter of all whites earn low-wages; close to half, 44 percent, of all blacks earn low-wages. By time 5, the percentage of blacks earning low-wages is higher than the percentage of whites earning low-wages at time 1. The pattern is the same for whites and blacks, but large racial disparities are present throughout the early career.

Table 3 presents the odds of earning low-wages for different stretches of the early career. Column one reports the odds of earning low-wages for time 1 and time 2, the beginning of the early career. Column two reports the odds of earning low-wages from time 1 through time 3. Column three reports the odds of earning low-wages from time 1 through time 4. Column four reports the odds of earning low-wages for the entirety of the early career—time 1 through time 5.

Again, the gender and racial differences are striking: women are significantly more likely to earn low-wages than men throughout their early career; blacks are significantly more likely to earn low-wages than whites throughout the early career. There are notable differences between the South and non-South. Workers in the South are more likely to experience low-wages for all tested spells than workers in other regions.

The low-wage experiences for workers with different levels of education are markedly different. Workers who did not complete high school are much more likely to earn low-wages for all tested spells of low-wages. Conversely, workers who completed

Table 3. Logistic Regression Model of Odds of Earning Low-Wages from Time_t to Time_x.

	t ₁ -t ₂	t ₁ -t ₃	t ₁ -t ₄	t ₁ -t ₅
Black	1.889***	1.997***	1.910***	1.936***
Female	2.722***	2.798***	3.024***	3.077***
Non-South	.7311**	.6701**	.6458*	.6295**
Drop Out	2.703***	2.870***	2.744***	2.785***
Some College	.6943**	.6039***	.5008***	.4886***
College and Beyond	.3369***	.2198***	.1698***	.1113***
1980s Workforce Entry	2.026***	1.839***	1.755***	1.968***
1990s Workforce Entry	1.615*	1.423	1.450	2.057*
Unemployment	.8086*	.7971*	.8951	1.109

Note:

* p < .05; ** p < .01; *** p < .001

N=3,392

some college, completed a bachelor's degree or completed an advanced degree are less likely to earn low-wages for all of the tested spells.

The decade an individual entered the workforce has a significant effect on the odds of earning low-wages. Individuals who entered the workforce during the 1970s fare much better than workers who entered the labor force in the 1980s. Workers who entered the workforce in the 1970s are significantly less likely to earn low-wages for all of the tested durations than workers who entered the workforce in the 1980s. Individuals who entered the workforce in the 1990s are more likely to spend the first two years of their career and the entirety of their early career earning low-wages than individuals who entered the workforce in the 1970s.

The odds ratios presented in column four of Table 3 offer a critique of the stepping stones perspective. Some workers, rather than accruing experience and moving on to better wages, are stuck in low-wages. For these workers, low-wages have only been

dead ends. The odds of experiencing low-wages for the entirety of the early career are not evenly distributed: African Americans, women, the less educated, residents of the South, and workers who entered the labor force in the 1980s are more likely to be trapped in low-wages.

It's important to not overlook the large percentage of workers who never earn low-wages. For these individuals, mobility out of or into low-wages is not a concern. As reported in Table 2, just over half, 56 percent, of all workers never earn low-wages. Do the odds of never experiencing low-wages differ by group?

Table 4 presents the odds of never earning low-wages. White workers are significantly more likely to entirely avoid low-wages than black workers. Similarly, men are more likely to evade low-wages than women. Unsurprisingly, individuals who did not complete high school are less able to avoid low-wages than workers with a high school diploma, but workers with a high school diploma are more likely to experience low-wages than workers who completed some college, a bachelor's degree, or an advanced degree. Again, there is an important period effect. Individuals who began their career in the 1970s are more likely to avoid low-wages entirely than workers who entered the workforce in the 1980s or 1990s.

The period effect supports recent research on low-wage work. Since the 1970s, the occupational and industrial reach of low-wages has steadily increased (Applebaum et al. 2003). Changes in work structures and employment relations have led to an increase in contingent and low-wage jobs. As better paying jobs have been replaced by low-wage jobs, it has become more difficult to avoid low-wage jobs. The odds of experiencing low-

Table 4. Logistic Regression Model of Odds of Never Earning Low-Wages

	<u>Odds Ratio</u>	<u>95% Confidence Interval</u>
Black	.6109***	.4862 – .8850
Female	.4617***	.3930 – .5890
Non-South	1.265**	.9965 – 1.532
Drop Out	.3553***	.3306 – .6886
Some College	1.565***	1.144 – 1.904
College and Beyond	2.558***	1.785 – 2.925
1980s Workforce Entry	.6547***	.6161 – .9454
1990s Workforce Entry	.6444**	.4296 – .9707
Unemployment	1.008	.7848 – 1.165

* $p < .05$; ** $p < .01$; *** $p < .001$

N=3,392

wages are higher for workers who entered the labor force in the 1980s and 1990s than for those who entered the workforce in the 1970s. Low-wages are becoming harder to avoid.

Figure 1 shows a steady decline in the percentage of the labor force earning low-wages as individual age. Implicit in this finding is the existence of upward mobility. More people are exiting low-wages than entering low-wages. As reported in Table 2, there is a good deal of upward mobility out of low-wages: 76 percent of all workers who earn low-wages at some point during their early career move onto higher wages. But do the odds of exiting low-wage vary for different groups?

Column 1 of Table 5 reports the odds of exiting low-wages. Here, the sample is restricted to only individuals who at some point between time 1 and time 4 experience low-wages. Individuals who at any point exit low-wages are coded as 1. Individuals who fail to exit low-wages are coded as 0.

Women are significantly less likely to exit low-wages than men. The difference between black workers and white workers is not statistically significant; however, this is

likely a precision problem, not an absence of difference. Workers in the South are less likely to exit low-wages than workers in other regions. While workers who did not complete high school are less likely to exit low-wages than workers who did complete high school, individuals with some college, a bachelor's degree or advanced degree are more likely to exit low-wages than individuals with a high school diploma only. The decade a worker entered the labor force does not have a statistically significant effect on upward mobility.

While differences exist in the odds of escaping low-wages, what about the odds of entering low-wages? Table 2 shows that over a quarter (27 percent) of all workers fall into low-wages—they're downwardly mobile. Are certain groups more like to fall into low-wages than others?

Column two of Table 5 reports the odds of ever falling into low-wages. Here the sample is restricted to individuals who at some point between time 1 and time 4 do not earn low-wages. Individuals who at any time fall into low-wages are coded as 1. Individuals who never fall into low-wages are coded as 0.

The large differences are notable. Women are significantly more likely to fall into low-wages than men, and black workers are more likely to fall into low-wages than white workers. Workers who did not complete high school are less likely to exit low-wages than workers with a high school diploma and are also more likely to fall into low-wages. Similarly, workers with some college, a college degree, or advanced degree are less likely to fall into low-wages than workers with a high school diploma. Education protects against downward mobility. Workers in the South are more likely experience downward mobility. Individuals who entered the workforce in the 1980s are more likely

Table 5. Logistic Regression Model of Odds of Low-Wage Mobility.

	<u>Upward</u> ¹ Odds Ratio (95% CI)	<u>Downward</u> ² Odds Ratio (95% CI)	<u>Fallback</u> ³ Odds Ratio (95% CI)
Black	1.007 (.7917-1.281)	1.366*** (1.147-1.628)	1.425* (1.026-1.980)
Female	.6398*** (.5120-.7885)	1.624*** (1.384-1.904)	1.419* (1.042-1.933)
Non-South	1.445** (1.139-1.833)	.8160* (.6906-.9640)	.7605 (.5501-1.052)
Drop Out	.6522** (.4854-.8764)	1.950*** (1.502-2.531)	1.708* (1.075-2.711)
Some College	1.388* (1.036-1.859)	.7090** (.58250.8628)	.7407 (.5080-1.080)
College and Beyond	1.653** (1.157-2.362)	.4874*** (.3942-.6026)	.3955*** (.2450-.6383)
1980s Workforce Entry	.8848 (.6927-1.130)	1.229* (1.037-1.458)	1.024 (.7144-1.467)
1990s Workforce Entry	.9818 (.5934-1.624)	1.248 (.8881-1.752)	1.409 (.7243-2.742)
Unemployment	.7790* (.6191-.9801)	1.216* (1.037-1.426)	1.634** (1.180-2.264)

Note:

* p < .05; ** p < .01; *** p < .001

¹ N=1,716

² N=3,151

³ N=734

to fall into low-wages than individuals who entered the workforce in the 1970s. The difference between entering the workforce in the 1970s and entering the workforce in the 1990s is not statistically significant.

There is a good deal of mobility into and out of low-wages. Moreover, the odds of mobility vary by group membership. However, thus far the analysis does not address the

permanence of low-wage mobility. How volatile is low-wage mobility? Once an individual exits low-wages, is she likely to fall back in?

Table 2 shows that 41 percent of all workers fall back into low-wages after exiting low-wages. Close to half of all exits from low-wages are temporary—a brief stint earning better wages before falling back to low-wages. Low-wages are volatile. While many workers escape low-wages, they often fall back in. Are certain groups more like to fall back into low-wages than others?

Column three of Table 5 reports the odds of falling into low-wages on the condition that an individual has previously exited low-wages. In effect, column three of Table 5 presents the odds an individual will earn low-wages, be upwardly mobile and exit low-wages, and then fall back into low-wages. For women and black workers, exits from low-wages are less permanent than exits for men and white workers. Women and black workers are more likely to fall back into low-wages than men.

The odds of falling back into low-wages do not differ for the South and the non-South. For workers with lower levels of education, exits from low-wages are more tenuous. Workers without a high school diploma are more likely to re-enter low-wages than workers with a high school diploma, but workers with a high school diploma are more likely to fall back into low-wages than workers with at least a college or advanced degree. The difference in odds of low-wage volatility between workers who entered the labor force in the 1970s and workers who entered the labor force in the 1980s and 1990s are not statistically significant.

The volatility of low-wage mobility contrasts the stepping stones depiction of earning histories. While some low-wage workers accrue experience and skills and move

on to better paying jobs, for many the higher wage is temporary. Indeed, 41 percent of all workers who exit low-wages fall back into low-wages. Moreover, the odds of falling back into low-wages vary by group. For women and the less educated, exits from low-wages are less likely to be permanent.

CHAPTER 5

DISCUSSION

Belief in the stepping stones perspective is pervasive. The dominant ideology holds that economic opportunity is widely available and that hard work will result in economic advancement (Kluegel and Smith 1986). Even individuals who identify as “lower class” or “working class” believe low-wages are temporary. When asked, “In the next five years, how likely are you to be promoted?” Close to half, 46 percent, of lower and working class individuals think their chances for promotion are promising.⁴

The pervasiveness of this ideology is important not because it leads workers to overestimate their chances for promotion, but because it informs public policy. Recent public policy, such as the 1996 welfare reform and the Workforce Investment Act of 1998, are built on the idea that getting people working, even if they are working low-wage jobs, will lead them out of poverty and into improved lives. Yet, despite the prominence and importance of stepping stone ideology, low-wage mobility remains understudied. The present research offers a first step in better understanding low-wage mobility.

⁴ The 1991 General Social Survey asked respondents, “In the next five years, how likely are you to be promoted? Would you say very likely, likely, not very likely, or not likely at all?” The 1991 General Social Survey also asked respondents, “If you were asked to use one of four names for your social class, which would you say you belong in: the lower class, the working class, the middle class, or the upper class?” Of the people who identified as “lower class” or “working class,” 202 respondents, 46 percent, believed a promotion was likely or very likely.

How do we square work first policies and the findings presented here? To the extent that people are able to exit low-wages, the research presented here supports work first policies: 76 percent of all low-wage workers are able to exit low-wages. However, many workers are stuck in low-wages. The workers trapped in low-wages are more likely to be black, female, and less educated. Moreover, for many of the workers who are able to increase their wages and move on, the exit is not permanent. The workers who are more likely to fall back are mostly black, female, and less educated.

Additionally, low-wages are becoming harder to avoid. While many people are able to evade low-wages entirely, the ability to avoid low-wages has decreased in recent decades. Workers who entered the labor force in the 1980s and 1990s are more likely to experience low-wages than workers who entered the labor force in the 1970s.

Recent research on low-wage mobility has begun to illuminate the employment trajectories of low-wage workers, but , given the importance of the topic, more research is needed. Much of the focus on low-wage mobility examines the supply side of the labor market, largely concentrating on the role of human capital. Future research should place more emphasis on the role of the demand side of the labor market in determining low-wage mobility.

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